



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1863/2
MES:jld&kjf:pg

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RMR

DOA:.....Ziegler, BB0463 - Levy limits for counties and municipalities

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

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1 AN ACT ...; relating to: levy limits for cities, villages, towns, and counties.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

This bill creates local levy limits that apply to cities, villages, towns, and counties (political subdivisions) for the property tax levies that are imposed in December 2005 and 2006. Generally, the bill prohibits a city, village, or town (municipality) from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and the rate of inflation, not including any such equalized value changes in a tax incremental district (TID). Each municipality is assigned to a region by DOR based on the county in which the municipality is located and each region consists of several counties. In addition, the calculation of a municipality's levy does not include any tax increment that is generated by a TID. ~~Generally~~ Generally, with regard to a county, the bill prohibits a county from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the county and the rate of inflation. ~~The~~ The bill contains exceptions to the levy limit for political subdivisions that transfer the provision of services, for cities or villages that annex town territory, and for a county levy that relates to a county Children with Disabilities Education Board. The levy limit may also be exceeded if a political subdivision's resolution to do so is approved by a supermajority of at least 75 percent of its governing body or, if a resolution is approved by a lower majority, if such a

resolution is also approved in a referendum. A town with a population of less than 2,000 may exceed the levy limit if a resolution to do so is approved by an annual or special town meeting. The levy limits do not apply to a property tax levy that is imposed after December 2006.

Under the bill, a political subdivision's levy limit does not generally apply to any amounts levied to pay debt service on debt authorized by a political subdivision, including general obligation debt service, refunding debt, and interest on outstanding obligations.

~~This bill also allows a city or village that has been providing services for a fee to property located in a town for at least ten years, and that annexes territory from that town, to increase the limit otherwise applicable in the current year by an amount equal to the city's or village's mill rate applied to the current assessed value of the annexed territory. The limit otherwise applicable to the town from which the territory was annexed is reduced by an amount equal to the town's mill rate multiplied by the assessed value of the annexed territory as of the last year that the territory was subject to town taxation.~~

Also under this bill, the limit otherwise applicable does not apply to the amount that a first class city (presently only Milwaukee) levies for school purposes. Currently, a first class city school district is not authorized to levy a tax; the city in which the school district is located levies a tax for school purposes at the direction of the school board.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 66.0602 of the statutes is created to read:

2 **66.0602 Local levy limits. (1) DEFINITIONS.** In this section:

3 (a) "County growth factor" means a percentage equal to 60 percent of the
4 percentage change in the county's January 1 equalized value due to new construction
5 less improvements removed between the year before the previous year and the
6 previous year, but not less than zero.

7 (b) "Debt service" includes debt service on debt issued or reissued to fund or
8 refund outstanding municipal or county obligations, interest on outstanding
9 municipal or county obligations, and related issuance costs and redemption
10 premiums.

1 (c) “Inflation factor” has the meaning given in s. 79.05 (1) (am).

2 (d) “Members-elect” has the meaning given in s. 59.001 (2m).

3 (e) “Municipal growth factor” means a percentage equal to 60 percent of the
4 percentage change in the region’s January 1 equalized value due to new construction
5 less improvements removed between the year before the previous year and the
6 previous year, but not less than zero. In determining the municipal growth factor,
7 the department of revenue shall exclude the value increment, as defined in ss. 60.85
8 (1) (q) and 66.1105 (2) (m), of any tax incremental district that is located in the
9 municipality.

10 (f) “Municipality” means a city, village, or town.

11 (g) “Political subdivision” means a city, village, town, or county.

12 (h) “Region” means any of the following areas to which a municipality is
13 assigned by the department of revenue, according to the county in which the
14 municipality is located, except that, if the municipality is located in more than one
15 county, the municipality is considered to be located in the county that has the greater
16 taxable value:

17 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
18 Manitowoc, Marinette, Oconto, and Sheboygan.

19 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
20 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
21 Winnebago.

22 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
23 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

24 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
25 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

1 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
2 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

3 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
4 Rock, and Sauk.

5 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
6 Racine, Walworth, Washington, and Waukesha.

7 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
8 Richland.

9 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
10 Claire, Polk, and St. Croix.

11 **(2) LEVY LIMIT.** (a) Except as provided in subs. (3), (4), and (5), no municipality
12 may increase its levy in any year by a percentage that exceeds the sum of the inflation
13 factor and the municipal growth factor. In determining its levy in any year, a city,
14 village, or town shall subtract any tax increment that is calculated under s. 60.85 (1)
15 (L) or 66.1105 (2) (i).

16 (b) Except as provided in subs. (3), (4), and (5), no county may increase its levy
17 in any year by a percentage that exceeds the sum of the inflation factor and the
18 county growth factor.

19 **(3) EXCEPTIONS.** (a) If a political subdivision transfers to another governmental
20 unit responsibility for providing any service that the political subdivision provided
21 in the preceding year, the levy increase limit otherwise applicable under this section
22 to the political subdivision in the current year is decreased to reflect the cost that the
23 political subdivision would have incurred to provide that service, as determined by
24 the department of revenue.

(b) If a political subdivision increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit that provided the service in the preceding year, the levy increase limit otherwise applicable under this section to the political subdivision in the current year is increased to reflect the cost of that service, as determined by the department of revenue.

~~(c) Except as provided in paragraph (d), if a city or village annexes territory from a town, the city's or village's levy increase limit otherwise applicable under this section is increased in the current year by an amount equal to the town's mill rate applied to the assessed value of the territory in the preceding year and the levy increase limit otherwise applicable under this section in the current year for the town from which the territory is annexed is decreased by that same amount, as determined by the department of revenue.~~

city's or village's mill rate applied to the current assessed value of

by the town's mill rate applied to the assessed value

(d) The limit otherwise applicable under this section does not apply to amounts levied by a political subdivision for the payment of any general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision, interest on outstanding obligations of the political subdivision, or the payment of related issuance costs or redemption premiums, secured by the full faith and credit of the political subdivision.

(e) The limit otherwise applicable under this section does not apply to the amount that a county levies in that year for a county children with disabilities education board.

~~(c) (b) If a city or village which has been providing services for a fee to property located in a town for at least 10 years, annexes territory from that town, the city's or village's levy increase limit otherwise applicable under this section is increased~~

annexes territory from

(c) (b)

(7)

1 in the current year by an amount equal to the city's or village's mill rate applied to
 2 the current assessed value of the annexed territory, and the levy increase limit
 3 otherwise applicable under this section in the current year for the town from which
 4 the territory is annexed is decreased by the town's mill rate applied to the assessed
 5 value of the annexed territory as of the last year that the territory was subject to
 6 taxation by the town, as determined by the department of revenue.

7 (f) ~~(g)~~ The limit otherwise applicable under this section does not apply to the
 8 amount that a 1st class city levies for school purposes.

9 (g) ~~(h)~~ If in any year a political subdivision's distribution under s. 79.043 (5) is less
 10 than the political subdivision's distribution under s. 79.043 (5) in the previous year,
 11 the limit otherwise applicable under this section shall be increased to reflect the
 12 reduction in the distribution.

13 (4) SUPERMAJORITY, REFERENDUM EXCEPTION. (a) A political subdivision may
 14 exceed the levy increase limit under sub. (2) if one of the following occurs:

15 1. At least 75 percent of the members-elect of its governing body adopt a
 16 resolution to that effect.

17 2. Its governing body adopts a resolution to that effect and the resolution is
 18 approved in a referendum.

19 (b) The resolution under par. (a) shall specify the proposed amount of increase
 20 in the levy beyond the amount that is allowed under sub. (2). With regard to a
 21 referendum ~~relating to the 2007 levy~~ ^{required under par. (a) 2, ✓} the political subdivision may ^{either} call a special
 22 referendum for the purpose of submitting the resolution to the electors of the political
 23 subdivision for approval or rejection ~~With regard to a referendum relating to the~~
 24 ~~2006 levy~~ ^{or} the referendum ^{may} be held at the next succeeding spring primary or
 25 election or September primary or general election. <sup>if such election is to be held not
sooner than 42 days after the
resolution is adopted under par. (a) 2 ✓</sup>

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1 (c) The clerk of the political subdivision shall publish type A, B, C, D, and E
2 notices of the referendum under s. 10.01 (2). Section 5.01 (1) applies in the event of
3 failure to comply with the notice requirements of this paragraph.

4 (d) The referendum shall be held in accordance with chs. 5 to 12. The political
5 subdivision shall provide the election officials with all necessary election supplies.
6 The form of the ballot shall correspond substantially with the standard form for
7 referendum ballots prescribed by the elections board under ss. 5.64 (2) and 7.08 (1)

8 (a). The question shall be submitted as follows: "Under state law, the increase in the
9 levy of the (name of political subdivision) for the tax to be imposed for the next
10 fiscal year, (year), is limited to%, which results in a levy of \$.... Shall the
11 (name of political subdivision) be allowed to exceed this limit and increase the levy
12 for the next fiscal year, (year), by a total of%, which results in a levy of \$....?"

13 (e) Within 14 days after the referendum, the clerk of the political subdivision
14 shall certify the results of the referendum to the department of revenue.

15 (f) The levy increase limit otherwise applicable to the political subdivision
16 under sub. (2) is increased in the next fiscal year by the percentage approved by a
17 majority of those voting on the question under par. (d), or by the percentage approved
18 by the governing body under par. (a) 1.

19 (5) EXCEPTION, CERTAIN TOWNS. A town with a population of less than 2,000 may
20 exceed the levy increase limit otherwise applicable under this section to the town if
21 the annual town meeting or a special town meeting adopts a resolution to that effect.
22 The limit otherwise applicable to the town under sub. (2) is increased in the next
23 fiscal year by the percentage approved by a majority of those voting on the question.
24 Within 14 days after the adoption of the resolution, the town clerk shall certify the
25 results of the vote to the department of revenue.

3 (END)

Shovers, Marc

From: Ziegler, Paul
Sent: Thursday, January 27, 2005 3:50 PM
To: Shovers, Marc; Kreye, Joseph
Subject: FW: Comments on LRB-1863/2 (Levy Limits)

Marc -- please make the changes in the attachment below to the levy limit draft.

Joe -- As noted at the bottom of the 1st page of the attachment, please modify in both the municipal and county restraint and bonus drafts the definition of inflation to be inflation for the 12 months ending June 30.

-----Original Message-----

From: Huegel, Daniel P
Sent: Thursday, January 27, 2005 3:43 PM
To: Ziegler, Paul
Cc: Helgersen, Jason; Brennan, Audra D
Subject: Comments on LRB-1863/2 (Levy Limits)

Yipee. Skip. Rah.



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Dan

NOTE ** For Discussion Purpose Only **

27 January 2005

To: Paul Ziegler

From: Daniel Huegel

Subject: Comments on LRB-1863/2 Concerning Levy Limits for Cities, Villages, Towns, and Counties

The proposal looks great! I do, however, have a few comments:

Item #1

On Page 7, Lines 4 and 5 – there is no provision for DOR to be notified of levy increases that are approved by at least 75% of the members-elect of the governing body. DOR will need to get such information to perform its duties under the proposal.

Item #2:

Debt-service levies are not separately reported to DOR. In order to perform its duties, DOR should be given the power to enact rules to require that debt service levies be separated from non-debt levies.

Item #3:

On Page 3, Lines 4 to 7: The material beginning on Line 4 with the words "In determining" should be deleted. It would require that the growth factor be calculated on TIF-out values. We would prefer that the municipal growth factor be calculated on TIF-in values. If the factor is calculated on TIF-out values, growth in TIF districts will never be included in the allowable levy growth for municipalities.

Item #4:

Under current law, the inflation factor for the expenditure restraint payment is based on the 12 months ending on September 30. In order to give government officials additional time to plan their spending and levies, the inflation factor dates should be changes to apply as follows:

"Inflation factor" means a percentage equal to the average annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor, for the 12 months ending on the June 30 [of the year in which property tax bills are issued]

(Paul – I am not sure how to state the material in brackets. The idea is that average inflation for the 12 months ending, say, in June 2005 is the rate that is applied to the taxes levied in December 2005 for collection in 2006.)

NOTE: This change should also be applied to the inflation factor used for purposes of the county and municipal levy restraint payments – even if the levy limit proposal is not adopted.

Item #5:

As written, "debt service" could be interpreted as including short-term debt such as tax anticipation notes and bonds that are not repayable from tax levies (such as revenue bonds). To avoid this, the term "debt service" should be amended by adding some statement to the effect:

"Debt service" excludes interest and principal payments on debt issued for a term of less than one year and on debt that is payable in whole or part from user fees, special assessments, or any other non-property-tax revenue source.

Since "debt service" is defined up front in the proposed section, the material on Page 5, Lines 12 to 18, could be simplified to read:

(d) The limit otherwise applicable under this section does not apply to amounts levied by a political subdivision for the payment of debt service, as defined under sub. (1) (b).

Paul
says
to hold
off on
this
for
now

Shovers, Marc

From: Ziegler, Paul
Sent: Thursday, January 27, 2005 6:21 PM
To: Shovers, Marc
Cc: Helgersen, Jason
Subject: RE: Comments on LRB-1863/2 (Levy Limits)

Marc -- Please set the debt service item aside for today and let's run the other changes through. I'll discuss with DOR and get back to you -- but I don't want to hold up the other items.
Thank you.
Paul

-----Original Message-----

From: Shovers, Marc [mailto:Marc.Shovers@legis.state.wi.us]
Sent: Thursday, January 27, 2005 5:59 PM
To: Ziegler, Paul
Subject: RE: Comments on LRB-1863/2 (Levy Limits)

Hi Paul:

I'm not sure about item #5 in the memo:

Item #5:

As written, "debt service" could be interpreted as including short-term debt such as tax anticipation notes and bonds that are not repayable from tax levies (such as revenue bonds). To avoid this, the term "debt service" should be amended by adding some statement to the effect:

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Since "debt service" is defined up front in the proposed section, the material on Page 5, Lines 12 to 18, could be simplified to read:

(d) The limit otherwise applicable under this section does not apply to amounts levied by a political subdivision for the payment of debt service, as defined under sub. (1) (b).

If a debt is not payable from property tax revenues, it is not subject to the levy limit so I don't see why the definition of "debt service" needs to address it. Also, I'm a little nervous about excluding from the definition of debt service any debt that is issued for a term of less than one year, thus making that debt subject to the levy limit. Is any such debt ever paid with property tax revenues? If so, it's likely unconstitutional to subject it to the levy limit, and why would you want to subject it to the levy limit anyway? The original instructions were to exclude all debt payments from the levy limits. I discussed this issue w/ Peter Grant and he seemed to remember that whenever the issue arose of subjecting any debt that is payable from the property tax to a levy limit, bond counsel was not happy, and thought that such an action violated the constitutional provision that requires any municipal debt to be funded by a "direct annual tax" (the property tax). See Article XI, sections 2 and 3 of the Wisconsin Constitution. We should talk about this item.

Marc

Marc E. Shovers

Senior Legislative Attorney
Legislative Reference Bureau
Phone: (608) 266-0129
Fax: (608) 264-8522
e-mail: marc.shovers@legis.state.wi.us

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<< File: ziegler-lrb1863-2.doc >>

Dan



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This bill creates local levy limits that apply to cities, villages, towns, and counties (political subdivisions) for the property tax levies that are imposed in December 2005 and 2006. Generally, the bill prohibits a city, village, or town (municipality) from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and the rate of inflation,

~~not including any such equalized value changes in a tax incremental district (TID).~~
Each municipality is assigned to a region by DOR based on the county in which the municipality is located and each region consists of several counties. In addition, the calculation of a municipality's levy does not include any tax increment that is generated by a ~~(TID)~~ ^{move}.

Generally, with regard to a county, the bill prohibits a county from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the county and the rate of inflation.

The bill contains exceptions to the levy limit for political subdivisions that transfer the provision of services, for cities or villages that annex town territory, and for a county levy that relates to a county Children with Disabilities Education Board. The levy limit may also be exceeded if a political subdivision's resolution to do so is

approved by a supermajority of at least 75 percent of its governing body or, if a resolution is approved by a lower majority, if such a resolution is also approved in a referendum. A town with a population of less than 2,000 may exceed the levy limit if a resolution to do so is approved by an annual or special town meeting. The levy limits do not apply to a property tax levy that is imposed after December 2006.

Under the bill, a political subdivision's levy limit does not generally apply to any amounts levied to pay debt service on debt authorized by a political subdivision, including general obligation debt service, refunding debt, and interest on outstanding obligations.

Also under this bill, the limit otherwise applicable does not apply to the amount that a first class city (presently only Milwaukee) levies for school purposes. Currently, a first class city school district is not authorized to levy a tax; the city in which the school district is located levies a tax for school purposes at the direction of the school board.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 66.0602 of the statutes is created to read:

2 **66.0602 Local levy limits.** (1) **DEFINITIONS.** In this section:

3 (a) "County growth factor" means a percentage equal to 60 percent of the
4 percentage change in the county's January 1 equalized value due to new construction
5 less improvements removed between the year before the previous year and the
6 previous year, but not less than zero.

7 (b) "Debt service" includes debt service on debt issued or reissued to fund or
8 refund outstanding municipal or county obligations, interest on outstanding
9 municipal or county obligations, and related issuance costs and redemption
10 premiums.

11 (c) "Inflation factor" *has the meaning given in s. 79.05 (1) (am).* ✓

12 (d) "Members-elect" has the meaning given in s. 59.001 (2m).

But it does not include interest and principal payments on debt issued for a term of less than one year and any debt that is payable in whole or part from any revenue source other than the property tax

1 (e) "Municipal growth factor" means a percentage equal to 60 percent of the
2 percentage change in the region's January 1 equalized value due to new construction
3 less improvements removed between the year before the previous year and the
4 previous year, but not less than zero. In determining the municipal growth factor,

5 the department of revenue shall exclude the value increment, as defined in ss. 60.85
6 (1) (q) and 66.1105 (2) (m), of any tax incremental district that is located in the
7 municipality.

8 (f) "Municipality" means a city, village, or town.

9 (g) "Political subdivision" means a city, village, town, or county.

10 (h) "Region" means any of the following areas to which a municipality is
11 assigned by the department of revenue, according to the county in which the
12 municipality is located, except that, if the municipality is located in more than one
13 county, the municipality is considered to be located in the county that has the greater
14 taxable value:

15 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
16 Manitowoc, Marinette, Oconto, and Sheboygan.

17 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
18 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
19 Winnebago.

20 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
21 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

22 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
23 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

24 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
25 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

1 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
2 Rock, and Sauk.

3 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
4 Racine, Walworth, Washington, and Waukesha.

5 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
6 Richland.

7 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
8 Claire, Polk, and St. Croix.

9 **(2) LEVY LIMIT.** (a) Except as provided in subs. (3), (4), and (5), no municipality
10 may increase its levy in any year by a percentage that exceeds the sum of the inflation
11 factor and the municipal growth factor. In determining its levy in any year, a city,
12 village, or town shall subtract any tax increment that is calculated under s. 60.85 (1)
13 (L) or 66.1105 (2) (i).

14 (b) Except as provided in subs. (3), (4), and (5), no county may increase its levy
15 in any year by a percentage that exceeds the sum of the inflation factor and the
16 county growth factor.

17 **(3) EXCEPTIONS.** (a) If a political subdivision transfers to another governmental
18 unit responsibility for providing any service that the political subdivision provided
19 in the preceding year, the levy increase limit otherwise applicable under this section
20 to the political subdivision in the current year is decreased to reflect the cost that the
21 political subdivision would have incurred to provide that service, as determined by
22 the department of revenue.

23 (b) If a political subdivision increases the services that it provides by adding
24 responsibility for providing a service transferred to it from another governmental
25 unit that provided the service in the preceding year, the levy increase limit otherwise

1 applicable under this section to the political subdivision in the current year is
2 increased to reflect the cost of that service, as determined by the department of
3 revenue.

4 (c) If a city or village annexes territory from a town, the city's or village's levy
5 increase limit otherwise applicable under this section is increased in the current year
6 by an amount equal to the city's or village's mill rate applied to the current assessed
7 value of the annexed territory, and the levy increase limit otherwise applicable under
8 this section in the current year for the town from which the territory is annexed is
9 decreased by the town's mill rate applied to the assessed value of the annexed
10 territory as of the last year that the territory was subject to taxation by the town, as
11 determined by the department of revenue.

12 (d) The limit otherwise applicable under this section does not apply to amounts
13 levied by a political subdivision for the payment of any general obligation debt
14 service, including debt service on debt issued or reissued to fund or refund
15 outstanding obligations of the political subdivision, interest on outstanding
16 obligations of the political subdivision, or the payment of related issuance costs or
17 redemption premiums, secured by the full faith and credit of the political
18 subdivision.

19 (e) The limit otherwise applicable under this section does not apply to the
20 amount that a county levies in that year for a county children with disabilities
21 education board.

22 (f) The limit otherwise applicable under this section does not apply to the
23 amount that a 1st class city levies for school purposes.

24 (g) If in any year a political subdivision's distribution under s. 79.043 (5) is less
25 than the political subdivision's distribution under s. 79.043 (5) in the previous year,

1 the limit otherwise applicable under this section shall be increased to reflect the
2 reduction in the distribution.

3 (4) SUPERMAJORITY, REFERENDUM EXCEPTION. (a) A political subdivision may
4 exceed the levy increase limit under sub. (2) if one of the following occurs:

5 1. At least 75 percent of the members-elect of its governing body adopt a
6 resolution to that effect. *and so notify the department of revenue* ✓

7 2. Its governing body adopts a resolution to that effect and the resolution is
8 approved in a referendum.

9 (b) The resolution under par. (a) shall specify the proposed amount of increase
10 in the levy beyond the amount that is allowed under sub. (2). With regard to a
11 referendum required under par. (a) 2., the political subdivision may either call a
12 special referendum for the purpose of submitting the resolution to the electors of the
13 political subdivision for approval or rejection or the referendum may be held at the
14 next succeeding spring primary or election or September primary or general election,
15 if such election is to be held not sooner than 42 days after the resolution is adopted
16 under par. (a) 2.

17 (c) The clerk of the political subdivision shall publish type A, B, C, D, and E
18 notices of the referendum under s. 10.01 (2). Section 5.01 (1) applies in the event of
19 failure to comply with the notice requirements of this paragraph.

20 (d) The referendum shall be held in accordance with chs. 5 to 12. The political
21 subdivision shall provide the election officials with all necessary election supplies.
22 The form of the ballot shall correspond substantially with the standard form for
23 referendum ballots prescribed by the elections board under ss. 5.64 (2) and 7.08 (1)
24 (a). The question shall be submitted as follows: "Under state law, the increase in the
25 levy of the (name of political subdivision) for the tax to be imposed for the next

1 fiscal year, (year), is limited to%, which results in a levy of \$.... Shall the
2 (name of political subdivision) be allowed to exceed this limit and increase the levy
3 for the next fiscal year, (year), by a total of%, which results in a levy of \$....?"

4 (e) Within 14 days after the referendum, the clerk of the political subdivision
5 shall certify the results of the referendum to the department of revenue.

6 (f) The levy increase limit otherwise applicable to the political subdivision
7 under sub. (2) is increased in the next fiscal year by the percentage approved by a
8 majority of those voting on the question under par. (d), or by the percentage approved
9 by the governing body under par. (a) 1.

10 (5) EXCEPTION, CERTAIN TOWNS. A town with a population of less than 2,000 may
11 exceed the levy increase limit otherwise applicable under this section to the town if
12 the annual town meeting or a special town meeting adopts a resolution to that effect.
13 The limit otherwise applicable to the town under sub. (2) is increased in the next
14 fiscal year by the percentage approved by a majority of those voting on the question.
15 Within 14 days after the adoption of the resolution, the town clerk shall certify the
16 results of the vote to the department of revenue.

17 (7) SUNSET. This section does not apply to a property tax levy that is imposed
18 after December 2006.

19 (6) Reporting requirements, The department of revenue may
promulgate rules relating to a political subdivision
reporting its debt service levy and nondebt service
levy to the department. (END)

FNS 2-11

Section #. 79.05 (1) (am) of the statutes is amended to read:

~~79.05 (1) (am)~~ ^{NOX} Inflation factor means a percentage equal to the average annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor, for the 12 months ending on ^{June} ~~September~~ 30 of the year ~~before the~~ statement under ~~s. 79.04~~ in which property tax bills are mailed under

History: 1989 a. 336; 1991 a. 39, 61; 1993 a. 16; 1999 a. 9; 1999 a. 150 s. 672; 2001 a. 161

✓
D. 74.09(5)

(end ins 2-11)



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1863/3
MES:jld&kjf.pg

4

RMR

DOA:.....Ziegler, BB0463 - Levy limits for counties and municipalities

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

do not gene

1 AN ACT ~~relating to~~; relating to: levy limits for cities, villages, towns, and counties.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

This bill creates local levy limits that apply to cities, villages, towns, and counties (political subdivisions) for the property tax levies that are imposed in December 2005 and 2006. Generally, the bill prohibits a city, village, or town (municipality) from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and the rate of inflation. Each municipality is assigned to a region by DOR based on the county in which the municipality is located and each region consists of several counties. In addition, the calculation of a municipality's levy does not include any tax increment that is generated by a tax incremental district (TID).

Generally, with regard to a county, the bill prohibits a county from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the county and the rate of inflation.

The bill contains exceptions to the levy limit for ✓ political subdivisions that transfer the provision of services, for cities or villages that annex town territory, and for a county levy that relates to a county Children with Disabilities Education Board. The levy limit may also be exceeded if a ~~political subdivision's resolution to do so is approved by a supermajority of at least 75 percent of its governing body or if a~~

plain

approves a resolution *to do so and* is approved by a lower majority *than* the resolution is ~~also~~ approved in a referendum. A town with a population of less than 2,000 may exceed the levy limit if a resolution to do so is approved by an annual or special town meeting. The levy limits do not apply to a property tax levy that is imposed after December 2006.

Under the bill, a political subdivision's levy limit does not generally apply to any amounts levied to pay debt service on debt authorized by a political subdivision, including general obligation debt service, refunding debt, and interest on outstanding obligations.

Also under this bill, the limit otherwise applicable does not apply to the amount that a first class city (presently only Milwaukee) levies for school purposes. Currently, a first class city school district is not authorized to levy a tax; the city in which the school district is located levies a tax for school purposes at the direction of the school board.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 66.0602 of the statutes is created to read:

2 **66.0602 Local levy limits.** (1) DEFINITIONS. In this section:

3 (a) "County growth factor" means a percentage equal to 60 percent of the
4 percentage change in the county's January 1 equalized value due to new construction
5 less improvements removed between the year before the previous year and the
6 previous year, but not less than zero.

7 (b) "Debt service" includes debt service on debt issued or reissued to fund or
8 refund outstanding municipal or county obligations, interest on outstanding
9 municipal or county obligations, and related issuance costs and redemption
10 premiums.

11 (c) "Inflation factor" means a percentage equal to the average annual
12 percentage change in the U.S. consumer price index for all urban consumers, U.S.
13 city average, as determined by the U.S. department of labor, for the 12 months

1 ending on June 30 of the year in which property tax bills are mailed under s. 74.09
2 (5).

3 (d) "Members-elect" has the meaning given in s. 59.001 (2m).

4 (e) "Municipal growth factor" means a percentage equal to 60 percent of the
5 percentage change in the region's January 1 equalized value due to new construction
6 less improvements removed between the year before the previous year and the
7 previous year, but not less than zero.

8 (f) "Municipality" means a city, village, or town.

9 (g) "Political subdivision" means a city, village, town, or county.

10 (h) "Region" means any of the following areas to which a municipality is
11 assigned by the department of revenue, according to the county in which the
12 municipality is located, except that, if the municipality is located in more than one
13 county, the municipality is considered to be located in the county that has the greater
14 taxable value:

15 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
16 Manitowoc, Marinette, Oconto, and Sheboygan.

17 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
18 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
19 Winnebago.

20 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
21 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

22 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
23 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

24 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
25 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

1 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
2 Rock, and Sauk.

3 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
4 Racine, Walworth, Washington, and Waukesha.

5 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
6 Richland.

7 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
8 Claire, Polk, and St. Croix.

9 (2) LEVY LIMIT. (a) Except as provided in subs. (3), (4),[✓] and (5), no municipality
10 may increase its levy in any year by a percentage that exceeds the sum of the inflation
11 factor and the municipal growth factor. In determining its levy in any year, a city,
12 village, or town shall subtract any tax increment that is calculated under s. 60.85 (1)
13 (L) or 66.1105 (2) (i).

14 (b) Except as provided in subs. (3), (4),[✓] and (5), no county may increase its levy
15 in any year by a percentage that exceeds the sum of the inflation factor and the
16 county growth factor.

17 (3) EXCEPTIONS. (a) If a political subdivision transfers to another governmental
18 unit responsibility for providing any service that the political subdivision provided
19 in the preceding year, the levy increase limit otherwise applicable under this section
20 to the political subdivision in the current year is decreased to reflect the cost that the
21 political subdivision would have incurred to provide that service, as determined by
22 the department of revenue.

23 (b) If a political subdivision increases the services that it provides by adding
24 responsibility for providing a service transferred to it from another governmental
25 unit that provided the service in the preceding year, the levy increase limit otherwise

1 applicable under this section to the political subdivision in the current year is
2 increased to reflect the cost of that service, as determined by the department of
3 revenue.

4 (c) If a city or village annexes territory from a town, the city's or village's levy
5 increase limit otherwise applicable under this section is increased in the current year
6 by an amount equal to the city's or village's mill rate applied to the current assessed
7 value of the annexed territory, and the levy increase limit otherwise applicable under
8 this section in the current year for the town from which the territory is annexed is
9 decreased by the town's mill rate applied to the assessed value of the annexed
10 territory as of the last year that the territory was subject to taxation by the town, as
11 determined by the department of revenue.

12 (d) The limit otherwise applicable under this section does not apply to amounts
13 levied by a political subdivision for the payment of any general obligation debt
14 service, including debt service on debt issued or reissued to fund or refund
15 outstanding obligations of the political subdivision, interest on outstanding
16 obligations of the political subdivision, or the payment of related issuance costs or
17 redemption premiums, secured by the full faith and credit of the political
18 subdivision.

19 (e) The limit otherwise applicable under this section does not apply to the
20 amount that a county levies in that year for a county children with disabilities
21 education board.

22 (f) The limit otherwise applicable under this section does not apply to the
23 amount that a 1st class city levies for school purposes.

24 (g) If in any year a political subdivision's distribution under s. 79.043 (5) is less
25 than the political subdivision's distribution under s. 79.043 (5) in the previous year,

1 the limit otherwise applicable under this section shall be increased to reflect the
2 reduction in the distribution.

3 (4) ~~SUPERMAJORITY~~ REFERENDUM EXCEPTION. (a) A political subdivision may
4 exceed the levy increase limit under sub. (2) if ~~one of the following occurs:~~

5 1. At least 75 percent of the members elect of its governing body adopt a
6 resolution to that effect, and so notify the department of revenue.

7 2. Its governing body adopts a resolution to that effect and the resolution is
8 approved in a referendum. ✓

9 (b) The resolution under par. (a) shall specify the proposed amount of increase
10 in the levy beyond the amount that is allowed under sub. (2). ~~With regard to a~~
11 ~~referendum required under par. (a) 2.~~ the political subdivision may either call a
12 special referendum for the purpose of submitting the resolution to the electors of the
13 political subdivision for approval or rejection or the referendum may be held at the
14 next succeeding spring primary or election or September primary or general election,
15 if such election is to be held not sooner than 42 days after the resolution is adopted

16 ~~under par. (a) 2.~~

17 (c) The clerk of the political subdivision shall publish type A, B, C, D, and E
18 notices of the referendum under s. 10.01 (2). Section 5.01 (1) applies in the event of
19 failure to comply with the notice requirements of this paragraph.

20 (d) The referendum shall be held in accordance with chs. 5 to 12. The political
21 subdivision shall provide the election officials with all necessary election supplies.
22 The form of the ballot shall correspond substantially with the standard form for
23 referendum ballots prescribed by the elections board under ss. 5.64 (2) and 7.08 (1)

24 (a). The question shall be submitted as follows: "Under state law, the increase in the
25 levy of the (name of political subdivision) for the tax to be imposed for the next

1 fiscal year, (year), is limited to%, which results in a levy of \$.... Shall the
2 (name of political subdivision) be allowed to exceed this limit and increase the levy
3 for the next fiscal year, (year), by a total of%, which results in a levy of \$....?”.

4 (e) Within 14 days after the referendum, the clerk of the political subdivision
5 shall certify the results of the referendum to the department of revenue.

6 (f) The levy increase limit otherwise applicable to the political subdivision
7 under sub. (2) is increased in the next fiscal year by the percentage approved by a
8 majority of those voting on the question under par. (d), ~~for by the percentage approved~~
9 ~~by the governing body under par. (a) 1/2~~

10 (5) EXCEPTION, CERTAIN TOWNS. A town with a population of less than 2,000 may
11 exceed the levy increase limit otherwise applicable under this section to the town if
12 the annual town meeting or a special town meeting adopts a resolution to that effect.
13 The limit otherwise applicable to the town under sub. (2) is increased in the next
14 fiscal year by the percentage approved by a majority of those voting on the question.
15 Within 14 days after the adoption of the resolution, the town clerk shall certify the
16 results of the vote to the department of revenue.

17 (6) REPORTING REQUIREMENTS. The department of revenue may promulgate
18 rules relating to a political subdivision reporting its debt service levy and nondebt
19 service levy to the department.

20 (7) SUNSET. This section does not apply to a property tax levy that is imposed
21 after December 2006.

22 (END)



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1863/4
MES:jld&kjf:jf

DOA:.....Ziegler, BB0463 - Levy limits for counties and municipalities
FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: levy limits for cities, villages, towns, and counties.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

This bill creates local levy limits that apply to cities, villages, towns, and counties (political subdivisions) for the property tax levies that are imposed in December 2005 and 2006. Generally, the bill prohibits a city, village, or town (municipality) from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and the rate of inflation. Each municipality is assigned to a region by DOR based on the county in which the municipality is located and each region consists of several counties. In addition, the calculation of a municipality's levy does not include any tax increment that is generated by a tax incremental district (TID).

Generally, with regard to a county, the bill prohibits a county from increasing its levy by a percentage that exceeds the sum of 60 percent of the percentage change in the equalized assessed value of new construction located in the county and the rate of inflation.

The bill contains exceptions to the levy limit for political subdivisions that transfer the provision of services, for cities or villages that annex town territory, and for a county levy that relates to a county Children with Disabilities Education Board. The levy limit may also be exceeded if a political subdivision's governing body approves a resolution to do so and the resolution is approved in a referendum. A town

with a population of less than 2,000 may exceed the levy limit if a resolution to do so is approved by an annual or special town meeting. The levy limits do not apply to a property tax levy that is imposed after December 2006.

Under the bill, a political subdivision's levy limit does not generally apply to any amounts levied to pay debt service on debt authorized by a political subdivision, including general obligation debt service, refunding debt, and interest on outstanding obligations.

Also under this bill, the limit otherwise applicable does not apply to the amount that a first class city (presently only Milwaukee) levies for school purposes. Currently, a first class city school district is not authorized to levy a tax; the city in which the school district is located levies a tax for school purposes at the direction of the school board.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 66.0602 of the statutes is created to read:

2 **66.0602 Local levy limits. (1) DEFINITIONS.** In this section:

3 (a) "County growth factor" means a percentage equal to 60 percent of the
4 percentage change in the county's January 1 equalized value due to new construction
5 less improvements removed between the year before the previous year and the
6 previous year, but not less than zero.

7 (b) "Debt service" includes debt service on debt issued or reissued to fund or
8 refund outstanding municipal or county obligations, interest on outstanding
9 municipal or county obligations, and related issuance costs and redemption
10 premiums.

11 (c) "Inflation factor" means a percentage equal to the average annual
12 percentage change in the U.S. consumer price index for all urban consumers, U.S.
13 city average, as determined by the U.S. department of labor, for the 12 months

1 ending on June 30 of the year in which property tax bills are mailed under s. 74.09
2 (5).

3 (d) “Members–elect” has the meaning given in s. 59.001 (2m).

4 (e) “Municipal growth factor” means a percentage equal to 60 percent of the
5 percentage change in the region’s January 1 equalized value due to new construction
6 less improvements removed between the year before the previous year and the
7 previous year, but not less than zero.

8 (f) “Municipality” means a city, village, or town.

9 (g) “Political subdivision” means a city, village, town, or county.

10 (h) “Region” means any of the following areas to which a municipality is
11 assigned by the department of revenue, according to the county in which the
12 municipality is located, except that, if the municipality is located in more than one
13 county, the municipality is considered to be located in the county that has the greater
14 taxable value:

15 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
16 Manitowoc, Marinette, Oconto, and Sheboygan.

17 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
18 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
19 Winnebago.

20 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
21 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

22 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
23 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

24 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
25 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

1 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
2 Rock, and Sauk.

3 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
4 Racine, Walworth, Washington, and Waukesha.

5 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
6 Richland.

7 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
8 Claire, Polk, and St. Croix.

9 **(2) LEVY LIMIT.** (a) Except as provided in subs. (3), (4), and (5), no municipality
10 may increase its levy in any year by a percentage that exceeds the sum of the inflation
11 factor and the municipal growth factor. In determining its levy in any year, a city,
12 village, or town shall subtract any tax increment that is calculated under s. 60.85 (1)
13 (L) or 66.1105 (2) (i).

14 (b) Except as provided in subs. (3), (4), and (5), no county may increase its levy
15 in any year by a percentage that exceeds the sum of the inflation factor and the
16 county growth factor.

17 **(3) EXCEPTIONS.** (a) If a political subdivision transfers to another governmental
18 unit responsibility for providing any service that the political subdivision provided
19 in the preceding year, the levy increase limit otherwise applicable under this section
20 to the political subdivision in the current year is decreased to reflect the cost that the
21 political subdivision would have incurred to provide that service, as determined by
22 the department of revenue.

23 (b) If a political subdivision increases the services that it provides by adding
24 responsibility for providing a service transferred to it from another governmental
25 unit that provided the service in the preceding year, the levy increase limit otherwise

1 applicable under this section to the political subdivision in the current year is
2 increased to reflect the cost of that service, as determined by the department of
3 revenue.

4 (c) If a city or village annexes territory from a town, the city's or village's levy
5 increase limit otherwise applicable under this section is increased in the current year
6 by an amount equal to the city's or village's mill rate applied to the current assessed
7 value of the annexed territory, and the levy increase limit otherwise applicable under
8 this section in the current year for the town from which the territory is annexed is
9 decreased by the town's mill rate applied to the assessed value of the annexed
10 territory as of the last year that the territory was subject to taxation by the town, as
11 determined by the department of revenue.

12 (d) The limit otherwise applicable under this section does not apply to amounts
13 levied by a political subdivision for the payment of any general obligation debt
14 service, including debt service on debt issued or reissued to fund or refund
15 outstanding obligations of the political subdivision, interest on outstanding
16 obligations of the political subdivision, or the payment of related issuance costs or
17 redemption premiums, secured by the full faith and credit of the political
18 subdivision.

19 (e) The limit otherwise applicable under this section does not apply to the
20 amount that a county levies in that year for a county children with disabilities
21 education board.

22 (f) The limit otherwise applicable under this section does not apply to the
23 amount that a 1st class city levies for school purposes.

24 (g) If in any year a political subdivision's distribution under s. 79.043 (5) is less
25 than the political subdivision's distribution under s. 79.043 (5) in the previous year,

1 the limit otherwise applicable under this section shall be increased to reflect the
2 reduction in the distribution.

3 (4) REFERENDUM EXCEPTION. (a) A political subdivision may exceed the levy
4 increase limit under sub. (2) if its governing body adopts a resolution to that effect
5 and the resolution is approved in a referendum.

6 (b) The resolution under par. (a) shall specify the proposed amount of increase
7 in the levy beyond the amount that is allowed under sub. (2). The political
8 subdivision may either call a special referendum for the purpose of submitting the
9 resolution to the electors of the political subdivision for approval or rejection or the
10 referendum may be held at the next succeeding spring primary or election or
11 September primary or general election, if such election is to be held not sooner than
12 42 days after the resolution is adopted.

13 (c) The clerk of the political subdivision shall publish type A, B, C, D, and E
14 notices of the referendum under s. 10.01 (2). Section 5.01 (1) applies in the event of
15 failure to comply with the notice requirements of this paragraph.

16 (d) The referendum shall be held in accordance with chs. 5 to 12. The political
17 subdivision shall provide the election officials with all necessary election supplies.
18 The form of the ballot shall correspond substantially with the standard form for
19 referendum ballots prescribed by the elections board under ss. 5.64 (2) and 7.08 (1)

20 (a). The question shall be submitted as follows: "Under state law, the increase in the
21 levy of the (name of political subdivision) for the tax to be imposed for the next
22 fiscal year, (year), is limited to%, which results in a levy of \$.... Shall the
23 (name of political subdivision) be allowed to exceed this limit and increase the levy
24 for the next fiscal year, (year), by a total of%, which results in a levy of \$....?".

(e) Within 14 days after the referendum, the clerk of the political subdivision shall certify the results of the referendum to the department of revenue.

(f) The levy increase limit otherwise applicable to the political subdivision under sub. (2) is increased in the next fiscal year by the percentage approved by a majority of those voting on the question under par. (d).

(5) EXCEPTION, CERTAIN TOWNS. A town with a population of less than 2,000 may exceed the levy increase limit otherwise applicable under this section to the town if the annual town meeting or a special town meeting adopts a resolution to that effect. The limit otherwise applicable to the town under sub. (2) is increased in the next fiscal year by the percentage approved by a majority of those voting on the question. Within 14 days after the adoption of the resolution, the town clerk shall certify the results of the vote to the department of revenue.

(6) **REPORTING REQUIREMENTS.** The department of revenue may promulgate rules relating to a political subdivision reporting its debt service levy and nondebt service levy to the department.

(7) SUNSET. This section does not apply to a property tax levy that is imposed after December 2006.

(END)